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JACKSON HOLE ECONOMIC SYMPOSIUM 2010

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AUGUST 2010

REUTERS

AS ECONOMY SLOWS, WHAT DOES THE FED HAVE UP ITS SLEEVE?

BERNANKE SAYS RECOVERY SOFTER, FED TO ACT IF NEEDED

- Bernanke: Fed prepared to take steps to spur growth
- Does not make clear what would prompt further easing
- Says high jobless rates remains a concern
- Sees modest second-half recovery, pick-up in 2011

BY MARK FELSENTHAL AND PEDRO DA COSTA
JACKSON HOLE, Wyoming, August 27

U.S. Federal Reserve Chairman Ben Bernanke said on Friday the economic recovery has weakened more than expected and the Fed stands ready to act if needed to spur slowing growth.

Bernanke downplayed concerns that the economy might slip back into recession, predicting a modest expansion in the second half of this year, with the pace picking up in 2011.

If that forecast proves overly optimistic, however, he said the Fed has sufficient ammunition left and could support growth by purchasing more government debt or by promising to keep rates exceptionally low for a longer period than currently priced in by financial markets.

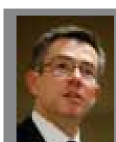
"The committee is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary, especially if the outlook were to deteriorate significantly," Bernanke told a Fed conference, held in Jackson Hole, Wyoming.

Bernanke's comments, in an address to an annual conference of global central bankers hosted by the Fed, came as the government reported the economic growth rate in the second quarter was weaker than it had originally estimated.

Bernanke made clear that the U.S. central bank has not decided what would prompt additional easing.

"At this juncture, the committee has not agreed on specific criteria or triggers for further action," he said.

"The overall tone was one of watch and wait," Goldman Sachs economist Jan Hatzius wrote in a note to clients, "despite ongoing signs that U.S. economic activity has not only dropped below its potential growth rate but has a significant probability of weakening further."



Randall Kroszner, a former Federal Reserve board member, speaks with Reuters reporter Dan Burns
Click to watch now, or visit the link below.
REUTERS INSIDER: HTTP://LINK.REUTERS.COM/CEQ57N

READY FOR ACTION: Federal Reserve Chairman Ben Bernanke leaves the Jackson Hole Economic Symposium in Grand Teton National Park, August 28, 2010. **REUTERS/PRICE CHAMBERS**

Stocks initially fell after Bernanke's remarks, but reversed course and the three major indexes closed up 1.7 percent. The dollar was little changed against a basket of currencies after Bernanke's lack of a firm commitment for additional easing, which could put downward pressure on interest rates. Prices for government bonds tumbled.

OTHER OPTIONS

While Bernanke focused on near-term issues in the U.S. economy, the head of the European Central Bank, Jean-Claude Trichet, also speaking at the Jackson Hole conference, addressed long-term global challenges.

He urged governments and central banks to ensure that the transition from very high debt levels incurred in response to the global financial crisis and its economic fallout takes place in an orderly fashion and without compromising economic growth.

"The primary macroeconomic challenge for the next 10 years is to ensure that they do not turn into another 'lost decade,'" Trichet told the conference.

Trichet avoided any direct references to current monetary policy ahead of next week's meeting of the ECB.

In Japan, which has experienced decades-long stagnant growth, the Bank of Japan is examining holding an emergency meeting early next week to ease monetary policy as the strong yen threatens the country's fragile economic recovery, a source familiar with the matter said.

An emergency meeting may be held as early as Tuesday, when BOJ Governor Masaaki Shirakawa is back in Tokyo after his return from the Fed conference in Wyoming.

CALLING ATTENTION: European Central Bank President Jean-Claude Trichet outside the Jackson Lake Lodge during a break in the symposium, August 28, 2010. **REUTERS/PRICE CHAMBERS**

Hopes for a speedy U.S. recovery have been dashed by a string of disappointing reports on employment, housing and manufacturing. Economists have slashed third-quarter growth forecasts in the past couple of weeks and now see the chance of a double-dip recession at 25 percent, up from 15 percent in early July, according to a Reuters poll on Friday.

With interest rates held at ultra-low levels since December 2008, the Federal Open Market Committee, the Fed's policy-setting body, has turned to other measures to bolster growth, pumping about $1.7 trillion into the economy.

Bernanke said the U.S. central bank's purchases of longer-term securities have been effective in lowering borrowing costs and that he believes the benefits of buying more such assets, if needed, would outweigh any disadvantages.

He said other options to spur economic growth -- such as committing to hold interest rates exceptionally low for an even longer period than is currently priced into financial markets, or raising the Fed's inflation targets -- would be less effective in the current environment.

Bernanke stressed that the high jobless rate remains a concern to policymakers, and said the Fed would be vigilant against deflation -- a dangerous downward spiral in prices that chills economic growth by making both businesses and consumers reluctant to make purchases-- even though it is not currently a risk in the United States.

"Because a further significant weakening in the economic outlook would likely be associated with further disinflation, in the current environment there is little or no potential conflict between the goals of supporting growth and employment and of maintaining price stability," he said.

Investors and economists said Bernanke's remarks indicated that he favored more quantitative easing measures.

Despite the rather sober tone of much of his remarks, which were unusually policy-heavy for a conference that tends to focus on loftier academic matters, Bernanke said he was confident the U.S. recovery would not stall. He said while the exit from recession was driven primarily by fiscal and monetary stimulus measures and inventory rebuilding by businesses, a "hand-off" to consumer demand appeared to be under way.

BOE'S BEAN-FURTHER POLICY ACTION MAY BE NEEDED

JACKSON HOLE, Wyoming, August 28

The global recovery is fragile and policymakers in advanced economies might still have to provide further economic support, Bank of England Deputy Governor Charles Bean said on Saturday.

In a paper presented at the annual central banking conference organized by the Federal Reserve, which this year is focused on monetary policy lessons from the recent crisis, Bean said policymakers had succeeded in preventing a financial market collapse.

"Even so, the deleveraging process is incomplete, the recovery remains fragile and a considerable margin of spare capacity is yet to be worked off, while further policy action may yet be necessary to keep the recovery on track," he said.

Bean's comments come as pessimism about the global outlook increases and talk of further stimulus measures creeps back on to the agenda at the BoE and other central banks.

Most analysts, however, expect the BoE will keep policy on hold well into next year.

The Fed at its August meeting said it would resume buying long-term Treasury securities to support the flagging recovery. Former Fed Vice Chairman Alan Blinder, commenting on Bean's paper at the conference, said he believes the U.S. central bank will take further action to ease financial conditions in coming months.

STAND STRONG: A man passes by the Bank of England. The Deputy Governor of the BoE suggested more policy action may be necessary, August 17, 2010. **REUTERS/ANDREW WINNING**

The rest of Bean's speech was devoted to examining whether there were fundamental flaws in the existing policy frameworks.

He gave evidence to support the idea that periods of economic stability might encourage exuberance in credit markets. But he argued it would be a mistake for policy-makers to try to induce fluctuations in the economy to prevent financial market participants becoming too confident about the outlook.

He also said monetary policy was probably too weak an instrument to moderate credit or asset booms without hurting activity too much.

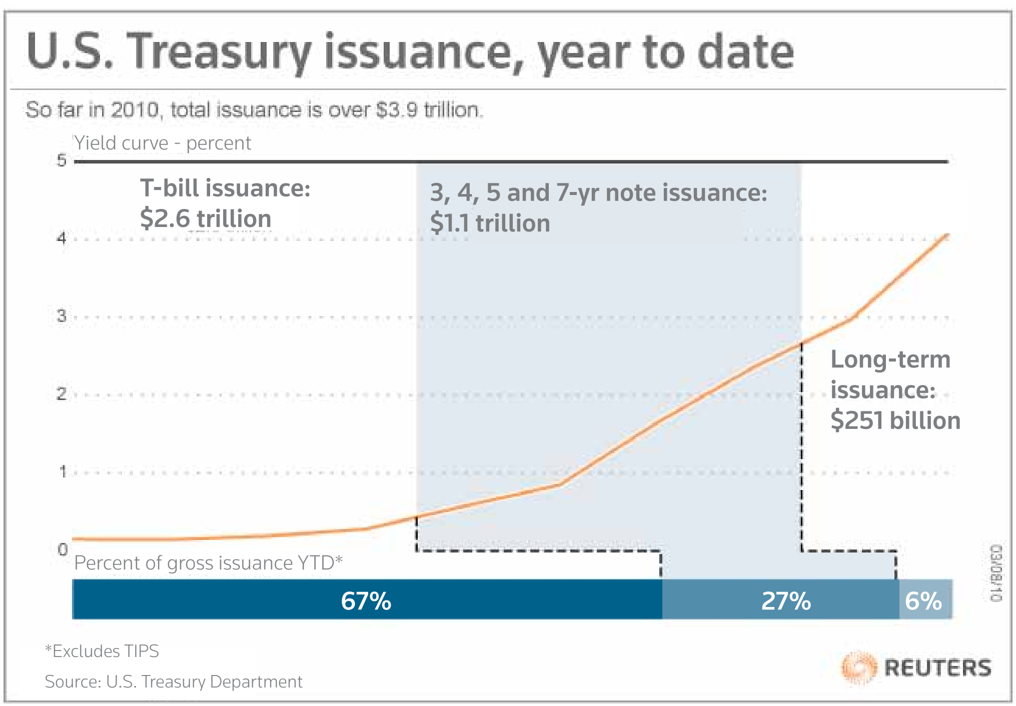
"Instead, with an additional objective of managing credit growth and asset prices in order to avoid financial instability, one really wants another instrument that acts more directly on the source of the problem. That is what macro-prudential policy is all about," he said.

Bean also said buying securities is an effective way for a central bank to ease financial conditions in a crisis, but short-term interest rates should be the tool of choice in normal times.

"Asset purchases aimed at flattening the yield curve are probably best kept in the locker marked For Emergency Use Only," said the paper written by Bean and co-authors.

It also said raising inflation targets from the current norm of around 2 percent does not seem a productive way to pull economies out of slumps.

"There is a risk ... that even a modest increase in the target of a few percentage points could lead to a corresponding increase in inflation volatility and associated welfare losses," the authors wrote.



REUTERS GRAPHIC /STEPHEN CULP

IMF'S LIPSKY DOES NOT SEE DOUBLE-DIP U.S. RECESSION

JACKSON HOLE, Wyoming, August 26

A top International Monetary Fund official said on Thursday strong corporate profits and moderate income growth should prevent the U.S. economy from slipping into a new recession.

"The base case remains most likely the continuation of a moderate recovery, emphasis on the moderate," John Lipsky, the IMF's first deputy managing director, told Reuters Insider on the sidelines of the Fed's annual gathering in Jackson Hole.

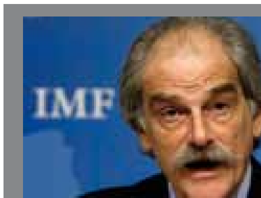
His remarks come as increasingly weak U.S. data have stoked concerns about a renewed contraction.

Housing data for July were quite grim, and durable goods figures sparked fears that gross domestic product could come dangerously close to stalling in the third quarter.

But Lipsky argued that these factors were not enough to push the economy into the red.

"We certainly don't expect some sudden surge in employment growth, but surely if the expansion continues, as we expect that it will, it will produce job growth," Lipsky said.

(Reporting by Pedro Nicolaci da Costa and Dan Burns)



REUTERS INSIDER:

JOHN LIPSKY

Lipsky, the First Deputy Managing Director of the IMF, talks with Reuters reporter Dan Burns about what he thinks will be a modest U.S. recovery.

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REUTERS INSIDER: HTTP://LINK.REUTERS.COM/DEQ57N

THE UNCOMFORTABLE MATHEMATICS OF MONETARY POLICY

BY PEDRO NICOLACI DA COSTA
JACKSON HOLE, Wyoming, August 28

Bigger, as the Federal Reserve may soon discover, is not always better.

The prospect of a renewed effort by the U.S. central bank to drive down already super-low borrowing costs raises the issue of whether such measures can help stimulate a recovery that is faltering due to a lack of consumer demand.

The sorry state of the U.S. economy, despite all the monetary and fiscal firepower the Fed and the U.S. Treasury have deployed, already befuddles the experts. Worries about a double-dip recession are rampant, and were the topic du jour at the Fed's annual Jackson Hole conference.

Speaking at the event on Friday, Fed Chairman Ben Bernanke signaled he would be willing embark on yet another round of asset purchases should the economy weaken further, even if he currently believes that will not happen.

But there is a growing fear within and outside the central bank about whether the risks of such purchases outweigh the benefits. One concern is that it may take an ever larger amount of bond buying to get the same effect.

"If it's buying Treasuries, which is what the Fed is talking about lately, I think it has low returns period, and maybe diminishing returns to scale," said Alan Blinder, Princeton economist and former Fed vice chair, on the sidelines of the Fed symposium.

That's partly because most of the impact of Fed easing, especially that which is accomplished through unorthodox means, comes from the "announcement effect" on market expectations, rather than the purchases of securities themselves.

In an example of just how meek the effects of unconventional policy might be, Larry Meyer, a former Fed governor now with Macroeconomic Advisers, once estimated that $100 billion in Treasury purchases might lead only to a 0.10 percentage point drop in long-term interest rates.

DROP IN THE BUCKET

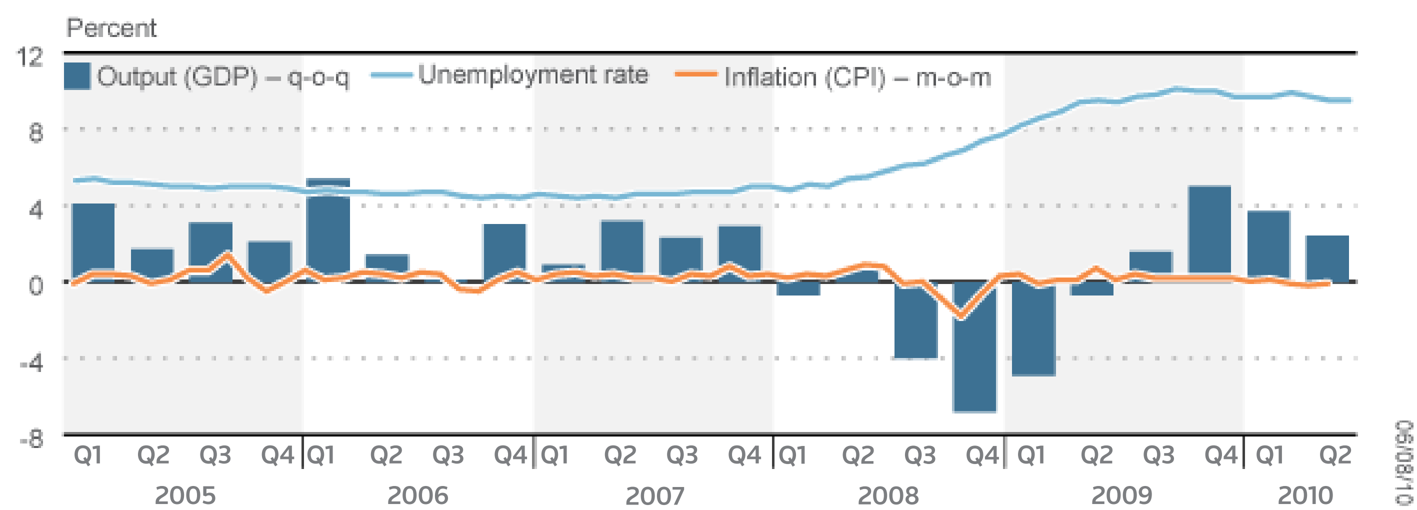
So just how much bond buying would the U.S. central bank have to do to get reticent consumers spending again?

The figures bandied about are eye-popping. When the Fed first debuted its policy of asset purchases, known as quantitative easing, Goldman Sachs economists estimated Fed credit to the banking system might have to expand to as much as $4 trillion to $5 trillion in order to grapple with the scope of the financial crisis.

According to Meyer, the Goldman estimates were in line with those of Fed staffers at the time. However, the central bank's policy committee saw this as complicating an eventual exit strategy, and stopped well short.

Instead, the Fed, in addition to slashing official borrowing costs to effectively zero, bought over $1.5 trillion in Treasury and mortgage bonds, bringing its balance sheet to a still-lofty $2.3 trillion from pre-crisis levels around $850 billion. Back then, this tack was widely seen by investors as the Fed pulling out the big guns.

A SHAKY U.S. ECONOMY



Sources: Federal Reserve, U.S. Department of Commerce, U.S. Department of Labor

REUTERS GRAPHIC /CHLOE JOY

But the policy, coupled with the government's $800 billion stimulus, has not exactly gone as planned. While analysts say the measures likely prevented an even worse outcome, the U.S. economy, after rebounding from its worst recession since the Great Depression, seems to be slipping again.

"A gazillion dollars in stimulus and this is the best we can do?" said Keith Springer at Capital Financial Advisory Services, in Sacramento California.

Unemployment, currently at 9.5 percent, shows no sign of coming down and manufacturing, which had led the recovery, appears to be running out of steam.

"We've got to do something different because what they did before hasn't worked," said Allen Sinai, chief global economist at Decision Economics, also at the Jackson Hole event.

MONETARY DEPLETION, FISCAL EXHAUSTION

The problem is that conventional policy tools look spent.

Politicians in Washington, having spent billions of dollars rescuing the banking system and the economy from the brink, are now bickering over large budget deficits, so another major fiscal stimulus package looks unlikely.

The Fed, in the meantime, says there is plenty it can do to ease monetary conditions further. Earlier this month, officials announced they would begin using the proceeds from maturing mortgage bonds in its portfolio to buy more Treasuries, thereby preventing bank reserve credit from slowly shrinking.

The central bank has also argued it could bolster its commitment to keep interest rates low for an extended period, or lower the rate it pays on bank reserves, but those approaches appear on the backburner for now.

Bernanke made it clear that buying Treasuries is the most likely and palatable course of action if the economy goes off track.

Unfortunately, an economic slowdown is already under way. Revisions to second-quarter gross domestic product showed the economy limping along at a 1.6 percent annualized growth rate. Economists now see the possibility of a negative reading for the third quarter.

Despite this grim outlook, Bernanke faces stiff opposition from some of the more hawkish members of the Fed, who believe further easing could have problematic consequences.

"The Fed cannot do much to affect economic activity right now, which is slow because of the devastating hit to wealth suffered by consumers in 2008 and 2009," said Dean Croushore, professor of economics at the University of Richmond and a former Philadelphia Fed economist.

"The Fed's latest actions are thus unlikely to have a positive impact. They simply keep a large volume of excess reserves at banks, threatening higher future inflation."

WORLD CENTRAL BANK? UNEASY ROLE FOR ULTRA-EASY FED

BY PEDRO NICOLACI DA COSTA
JACKSON HOLE, Wyoming, August 27

Federal Reserve officials gathered at this quiet mountain resort may hear some noise from their international counterparts about side-effects of the central bank's ultra-loose monetary policy.

In Japan, there is growing fear that a rallying yen, whose fate has been closely linked to the prospect of fresh stimulus by the Fed and diminished returns on U.S. securities, will put a damper on the country's already soft recovery.

Officials in emerging markets also have qualms about the Fed's policy, if for different reasons.

Currencies in Latin America have surged, raising worries about the cost of local exports and the chance that speculative investments flooding countries like Brazil, Chile and Peru, create the potential for a sharp reversal.

Chile's finance minister complained that the peso's appreciation of nearly 7 percent against the dollar since early July would be hard to stop given the U.S. backdrop.

"If... the U.S. economy is growing weakly and there are no expectations of a rise in (U.S.) rates, it is very difficult to battle against that," Felipe Larrain said earlier this month, adding that rising prices for Chile's main export, copper, also contributed to the country's currency surge.

Of course, the Fed's mandate is to support maximum sustainable employment and stable prices in the United States, not to fret over the effects of its policies on other nations.

"The Fed is going to concentrate on helping the domestic economy," said Dana Saporta, economist at Credit Suisse. "The knock-on effects on other countries are a secondary concern."

That may be so, but in highly interconnected financial markets, it becomes difficult to isolate the two.

"There is a very strong correlation between interest rate differentials and dollar/yen," said Steven Englander, a currency strategist at Citigroup.

Not that this is the only factor. Risk-aversion in markets has also benefited the yen. Similarly, it would not be in the interests of Japan nor Latin America to see the U.S. recovery stall.

"The main concern everyone has is a double-dip recession in developed economies," said Jeff Grills, co-head of emerging market debt portfolios at Gramercy in Greenwich, Connecticut.

SYMPATHY FROM LONE DISSENTER

Nations indirectly affected by Fed policy may get some sympathy from the host of the Jackson Hole symposium, Kansas City Fed President Thomas Hoenig, who has dissented at every one of the Fed's policy meetings this year.

He has argued that by keeping interest rates too low for too long, policymakers run the risk of stoking financial bubbles in unexpected places.

But the rest of the powerful Federal Open Market Committee will be harder to win over.

Bernanke has made clear in the past that he sees his job as doing what is optimal for the U.S. economy.

And with the Fed missing the target on both sides of its mandate -- unemployment stands at an elevated 9.5 percent and core inflation at an uncomfortably low 0.9 percent -- the prospect of further easing looks increasingly plausible, even if there are doubts about its effectiveness.

U.S. data out this week showed things are getting worse. Housing figures were terrible across the board, raising concerns about a new home price slump in the absence of a recently expired home-buyer tax credit.

Durable goods orders were no better, and prompted JP Morgan to predict third-quarter growth domestic product might come in below a 1 percent annualized rate.

REUTERS INSIDER:

"Very low interest rates are something you do when you are in near-panic mode."
- Raghuram Rajan, University of Chicago

Raghuram Rajan, professor at the University of Chicago, says the U.S. Fed can afford to tighten rates as the U.S. economy is likely to see steady growth out of the recession.

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REUTERS INSIDER: HTTP://LINK.REUTERS.COM/DAD87N

PROTECTING THE ECONOMY: The Fed Chairman Ben Bernanke speaks with Vice Chairman Donald Kohn outside the symposium, August 27, 2010. **REUTERS/PRICE CHAMBERS**

COMFORTABLY UNORTHODOX

If the trend continues, the Fed could attempt to buy up more Treasuries to push down long-term rates.

Despite some signs of internal dissent, Bernanke remains the definitive leading voice in the committee, and he is unlikely to hesitate in taking further action if the economy looks set to contract.

Earlier this month, the Fed announced it would begin using the proceeds from maturing mortgage bonds in its portfolio to buy Treasury notes in such a way as to keep outstanding credit to the banking system steady at just over $2 trillion.

Is it possible that the Japanese authorities, which have a long record of mutual respect and cooperation with the Fed, might help dissuade the central bank from further action? Probably not. If push comes to shove, the Fed will step in and provide more stimulus, say analysts and investors.

During a chat with reporters in Rogers, Arkansas last week, St. Louis Fed President James Bullard dismissed the notion that a zero benchmark rate meant the central bank was anywhere near out of bullets on policy.

Bernanke's famous 2002 speech, "Deflation: Making Sure 'It' Doesn't Happen Here," suggests he feels the same way.

Ironically, it is Japan's experience of deflation that most vividly reminds Fed officials of the difficulties of using monetary policy to battle a persistent and vicious cycle of falling prices. It's a rut the Fed would rather not slip into, but one that appears uncomfortably possible.

(Additional reporting by Simon Gardner in Santiago, Chile and Daniel Bases in New York)

EASING TOWARD EASING: BERNANKE MAKES THE CASE

LEADING THE WAY: The Fed Chairman Ben Bernanke testifies before a House hearing on the "Monetary Policy and the State of the Economy", July 22, 2010. **REUTERS/JIM YOUNG**

BY MARK FELSENTHAL
JACKSON HOLE, Wyoming, August 29

Federal Reserve Chairman Ben Bernanke has smoothed the ruffled feathers of anti-inflation hawks at the Fed by indicating he will only press for more policy easing if the U.S. economic slowdown worsens.

Getting that buy-in may eventually make it easier for Bernanke to rally the Fed to move more aggressively if it is clear that the recovery is stalling.

"The data is likely to do the work convincing more timid members" of the Fed's policy-setting committee, BNP Paribas economist Julia Coronado wrote in a note to clients.

Speaking on Friday at the Fed's annual conference in this mountain resort, Bernanke gave a detailed reading of the wilting economic outlook and a reminder of the weapons the Fed could use to bolster the recovery from the worst U.S. recession since World War Two.

It was a much more nuanced assessment than the statement released by the U.S. central bank on Aug. 10 when it shifted policy by taking new measures to support the economy.

The Fed's move nearly three weeks ago to resume buying longer-term Treasury securities to hold its balance sheet steady, instead of allowing them to continue running off, was a controversial one within the bank's inner sanctum.

Some members of the policy-setting Federal Open Market Committee saw the change as sending a signal to markets that the Fed was closer to major new monetary easing than it was.

Some Fed officials question whether recent weakness in the U.S. economy is not merely a soft patch in a recovery that will eventually gather momentum rather than an early warning sign that growth will be too sluggish to support new job creation.

Critics of the move on the Fed's policy-setting panel are wary of further bloating a balance sheet that at $2.3 trillion is more than twice its pre-crisis levels, just to bring down unemployment by an incremental amount.

To the critics, the Fed sent a wrong signal on Aug. 10 when it said it would resume buying Treasury bonds "to support the recovery."

Bernanke's speech has given some solace to the skeptics.

While acknowledging the slowdown, Bernanke said the preconditions for a pickup in growth in 2011 appear to remain in place.

"The chairman did not brace the nation for a 'double-dip'" recession, said Credit Suisse economist Dana Saporta.

Bernanke was also at pains to weigh the risks and benefits of any new Fed action, acknowledging that the exact impact of buying more Treasury debt is unknown, just as cutting the already minimal interest rate the Fed pays banks to park their cash at the central bank might help only a little.

"We took Bernanke's comments as consistent with our own view that there is a higher bar for further stimulus than seemed the case following the decision to maintain the size of the balance sheet at the August FOMC meeting," Barclays Capital economist Peter Newland said.

In addition, Bernanke spelled out that one of the factors that would guide the Fed would be a further fall in already low levels of inflation, raising the risk of deflation.

"It is worthwhile to note that, if deflation risks were to increase, the benefit-cost trade-offs of some of our policy tools could become significantly more favorable," he said.

To some economists, however, the pace of the U.S. recovery has already slipped into a lower gear, and Bernanke's speech portends further Fed action in the next few months.

"The overall tone was one of watch and wait, despite ongoing signs that U.S. economic activity has not only dropped below its potential growth rate but has a significant probability of weakening further," Goldman Sachs economist Jan Hatzius wrote in a research note.

By framing the conditions for any new move to head off the risk of a relapse into recession, Bernanke has likely made it easier to bring the full Fed along with him.

WHAT AMMUNITION DOES THE FED HAVE LEFT?

Federal Reserve Chairman Ben Bernanke told his global central bank colleagues on Friday that the U.S. central bank still has plenty of weapons to counter slowing growth and will use them if necessary.

Earlier this month, the Fed announced it would begin using the proceeds from maturing mortgage bonds in its portfolio to buy more Treasury bonds, thereby keeping reserve bank credit at a steady level just over $2 trillion.

Below are some of the additional steps the Fed could take:

BUY MORE ASSETS

The Fed could buy more mortgage-backed securities, or since its holdings of MBS are already so large, it could buy more long-term Treasury securities.

St. Louis Fed President James Bullard said in Arkansas earlier this month that the Fed might need to ramp up its purchases of U.S. Treasury debt if price levels keep softening and raise the threat of deflation.

Buying Treasuries could raise questions about whether the Fed is simply printing money to finance the massive U.S. budget deficit and debt, which could undermine confidence in the dollar and drive interest rates higher.

DEEPEN ITS VOW TO HOLD RATES LOW

Since March 2009, the Fed has said it anticipates that economic conditions are likely to warrant "exceptionally low" borrowing costs for "an extended period." It has specified that those conditions include high unemployment, subdued inflation trends and stable inflation expectations.

WHO KNOWS: Frankie Dyon reacts in the Eurodollar pit at the CME Group in Chicago after the Federal Reserve announced it would use proceeds from its maturing mortgage bonds to buy more government debt and lower borrowing costs, August 10, 2010. **REUTERS/JOHN GRESS**

The Fed could rephrase that promise to provide additional guarantees to markets of rock-bottom rates even when the recovery begins to take off.

However, Bernanke might find it hard to garner support for such a move. A number of Fed officials have expressed concern that the low-rate pledge could hinder the central bank from acting quickly if needed.

STOP PAYING INTEREST ON EXCESS RESERVES

The Fed could try to spark more lending by cutting the interest rate it pays banks on reserves they hold at the central bank from the current 0.25 percent. This would only be effective if there was unsated loan demand, which some doubt.

It could also create problems for money markets, making it a rather unlikely course of action at this point.

OPEN A NEW LENDING FACILITY

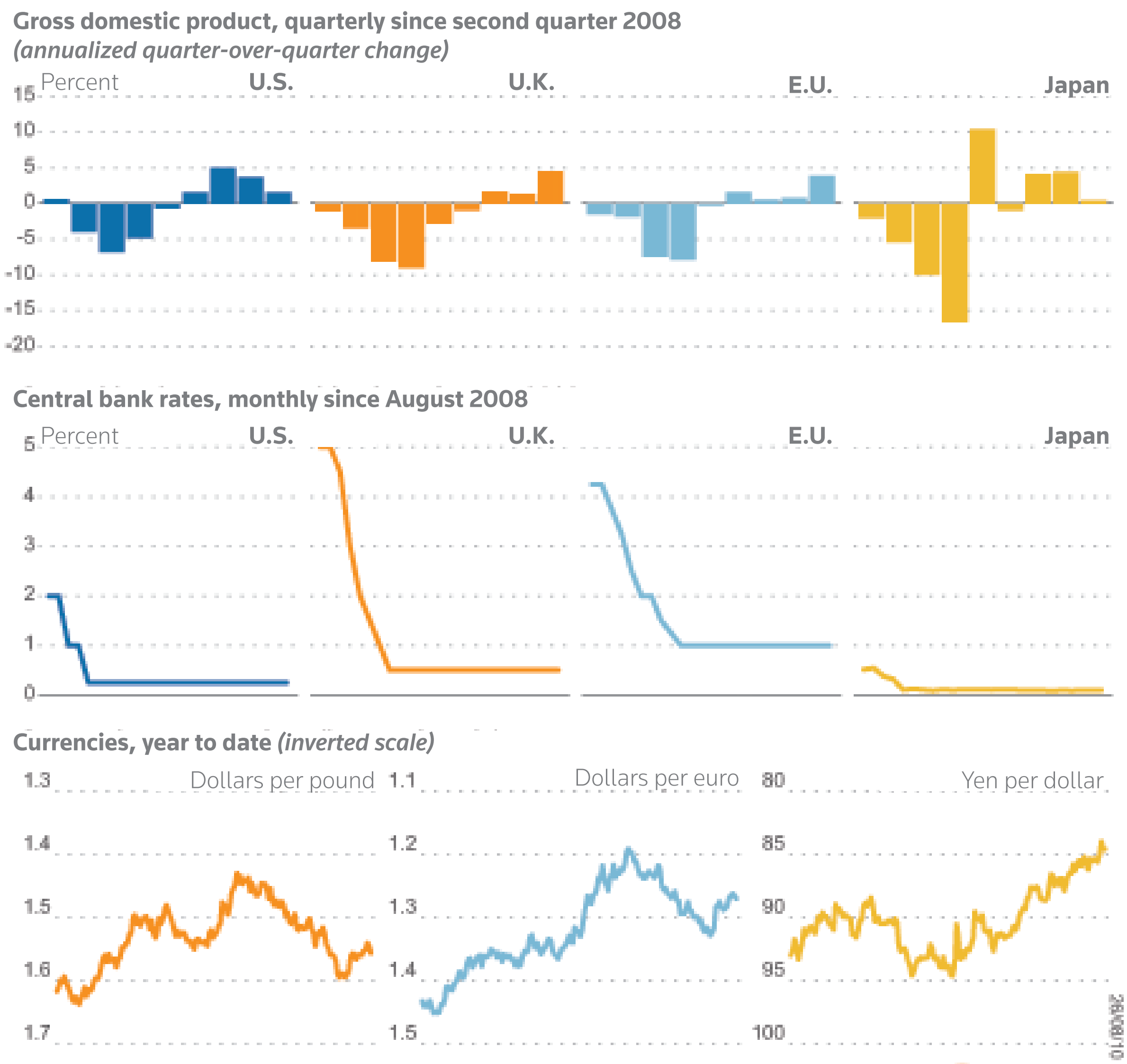
The Fed could open a new lending facility to increase credit availability for any sector of the economy it wants to help, such as commercial real estate.

The Fed would have to argue that crisis conditions exist in order to lend to non-banks, and may be shy about doing so after similar actions were criticized during the 2007-2009 financial crisis.

HOUSING'S FUTURE: U.S. Treasury Secretary Tim Geithner speaks during a White House conference on housing finance. The Fed could help the real estate market by opening a new lending facility and increasing credit availability, August 17, 2010. **REUTERS/JASON REED**

Economic snapshot of major players

The U.S. economy grew at a 1.6 percent annual rate, much slower than previously estimated. Federal Reserve Chairman Ben Bernanke meets with central bankers from other major countries in Jackson Hole, Wyoming to discuss the state of their economies.



Sources: Thomson Reuters, government statistics

REUTERS

REUTERS GRAPHICS/VAN TSUI

COVER PHOTO: Morning sun hits the Grand Tetons as bankers and economists gather at the Jackson Hole Economic Symposium in Grand Teton National Park. The annual conference sponsored by the Federal Reserve Bank of Kansas City focuses this year on macroeconomic challenges in the future, August 27, 2010. **REUTERS/PRICE CHAMBERS**

PDF DESIGNED BY CHLOE JOY

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